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L.L.B Part- 2nd

Subject- Insurance Act

Paper- 8th

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Topic- What is Motor Insurance? Describe the procedure for effecting Motor Insurance.

Motor Insurance-

Motor vehicle insurance is insurance for cars, trucks, motorcycles, and other road vehicles. Its primary use is to provide financial protection against physical damage or bodily injury resulting from traffic collisions and against liability that could also arise from incidents in a vehicle. Vehicle insurance may additionally offer financial protection against theft of the vehicle, and against damage to the vehicle sustained from events other than traffic collisions, such as keying, weather or natural disasters, and damage sustained by colliding with stationary objects. The specific terms of vehicle insurance vary with legal regulations in each region.

Motor insurance in India deals with the insurance covers for the loss or damage caused to the automobile or its parts due to natural and man-made calamities. It provides accident cover for individual owners of the vehicle while driving and also for passengers and third party legal liability. There are certain general insurance companies who also offer online insurance service for the vehicle.

Motor insurance in India is a compulsory requirement for all new vehicles used whether for commercial or personal use. The insurance companies have tie-ups with leading automobile manufacturers. They offer their customers instant auto quotes. Auto premium is determined by a number of factors and the amount of premium increases with the rise in the price of the vehicle. The claims of the auto insurance in India can be accidental, theft claims or third party claims. Certain documents are required for claiming auto insurance in India, like duly signed claim form, RC copy of the vehicle, driving license copy, FIR copy, original estimate and policy copy.

Procedure for effecting Motor Insurance-

The procedure involved in taking motor insurance policy is as follows:

(i) First of all, the person who is interested in taking a motor policy known as proposer, will have to submit a proposal form with the insurer. The proposal form is divided into three parts:

(a) Identification of vehicles, Registration No., horse power, shape and size, model, etc.

(b) Risk information, past insurance, type of policy, etc.

(c) Declaration- the declaration that all information given is true and correct. This is necessary under the principle of utmost good faith.

(ii) After having received the proposal form, the insurer will determine the rate of premium. The insurer will charge rates according to the schedule for a particular vehicle under particular policy. The schedule gives “basic premium” and any amount for an additional risk is added to the basic premium while rebate allowed is deducted from it.

(iii) As soon as the amount of premium to be charged on the proposer is determined, the same will be conveyed to the proposer by the insurer.

(iv) On receipt of the letter from the insurer, the proposer will pay the amount of premium and the insurer will, after receiving the premium, issue a cover note along with a certificate of insurance. The cover note serves as an evidence of the acceptance of the risk by the insurer till the final policy is issued.

The certificate of insurance can be produced before the Regional Transport Authority as a proof of insurance.

(v) Finally, the insurer prepares the motor policy (to replace the cover note) and sends the same to the insured. The motor policy is generally issued for one year. In case, the insured wants to sell his insured motor vehicle and replace it by a new one, the policy can be transferred to the new vehicle. The amount of premium, if necessary, can be adjusted proportionately. Motor Policy Conditions- The usual conditions incorporated in the motor policy are as follows:

(i) Notice of Accident- Immediately after occurrence of accident, the same has to be brought to the knowledge of the insurer by serving a notice of accident.

(ii) Supply of data- The insured should provide all necessary information to the insurer whenever needed.

(iii) Keeping vehicle in good condition-

It is the duty on the part of the insured to keep his vehicle in good condition and permit the insurer to inspect the vehicle at any time.

(iv) Double Insurance. In case, the vehicle is insured with more than one insurer, the amount of compensation will have to be claimed in pro-rata from all the companies.

(v) Utmost good faith- The insured is supposed to observe good faith throughout the running of the policy. He should fulfil all the terms and conditions of the policy.

(vi) Arbitration clause- If there is any dispute between the insured and the insurer over the amount of claim, the matter will be referred to the arbitrator. The decision of the arbitrator will be final.

(vii) Renewal of policy- When a policy is renewed, bonus in the form of reduction of renewal premium will be allowed, provided that there was no claim under that policy in the previous year.

(viii) Policy Information- The motor policy contains information such as policy number, name and address of the insured, period of insurance, registration number, horse-power, seating capacity, date of proposal and the amount of premium, etc.

(ix) Cancellation of Policy- The insured may cancel the policy at seven days notice and demand the return of the proportionate premium, provided that no claim has arisen during the then current period of insurance.

The End